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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 L-02

AGR-05 TAR-01 /082 W

----- 015050

R 201241Z MAR 75

FM USMISSION OECD PARIS

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INFO AMEMBASSY CANBERRA

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E.O. 11652: N/A

TAGS: ETRD, OECD, NZ

SUBJECT: TCWP MARCH 13-14: REVIEW OF NEW ZEALAND'S

TRADE POLICY

REFS: A) WELLINGTON 664; B) STATE 45865

1. SUMMARY: TCWP HAD INFORMATIVE AND POSITIVE SESSION TO REVIEW NEW ZEALAND'S TRADE POLICY, WITH SWITZERLAND, UK, CANADA, AND US TAKING LEAD IN DISCUSSIONS. NEW ZEALAND DEL EMPHASIZED HIS COUNTRY'S SPECIAL SITUATION, NZ'S GENERAL DISINCLINATION TO GIVE MORE LIBERAL ACCESS FOR OTHER COUNTRIES' INDUSTRIAL PRODUCTS THAN OTHER COUNTRIES GAVE NZ FOR ITS AGRICULTURAL PRODUCTS, AND THE PRESENT DETERIORATION OF NZ'S TRADE BALANCE. HE REAFFIRMED, HOWEVER, NEW ZEALAND'S ATTACHMENT TO ITS INTERNATIONAL OBLIGATIONS AND SAID GNZ HAD NO PLANS TO SOLVE ITS BALANCE OF PAYMENTS OR STRUCTURAL PROBLEMS WITH WHOLESALE IMPORT RESTRICTIONS. END SUMMARY

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2. NEW ZEALAND DELS (F.W.H. CLARK, DEP. SEC., DEPT OF TRADE AND INDUSTRY, AND G. BATHGATE, DIRECTOR OF TRADE BRANCH, CUSTOMS DEPARTMENT) OPENED TCWP MEETING WITH STATEMENT EMPHASIZING NEW ZEALAND'S HIGH DEPENDENCE ON AGRICULTURAL EXPORTS, SMALL INTERNAL MARKET, AND GREAT DISTANCE FROM ITS TRADING PARTNERS. CLARK NOTED THAT GROWTH AND EXPORT DIVERSIFICATION WERE KEY OBJECTIVES OF GNZ ECONOMIC POLICY, AND SAID PRESENT PERIOD CHARACTERIZED BY SHARP DECLINE IN TERMS OF TRADE AND LEVEL OF RESERVES WOULD PROVIDE SEVERE TEST OF GNZ'S ABILITY TO MAINTAIN ITS CHOSEN ECONOMIC COURSE. HE ADMITTED, HOWEVER, THAT EMPLOYMENT SITUATION WAS STILL RELATIVELY GOOD. BOTH UK AND EC COMMISSION DELS COMMENDED NEW ZEALAND ON ITS POSITIVE TRADE POLICY BEHAVIOR DURING A PERIOD OF ECONOMIC STRAIN, WHILE SWITZERLAND SUGGESTED THAT KEY TO IMPROVING CURRENT BALANCE LAY AS MUCH WITH REDUCING THE INVISIBLES DEFICIT AS WITH IMPROVING TRADE PERFORMANCE. IN RESPONSE TO US QUESTION, CLARK INDICATED THAT LATEST EXCHANGE RATE DEVALUATION WAS EXPECTED TO HAVE LITTLE TRADE EFFECT AS IT HAD BEEN UNDERTAKEN SIMPLY TO KEEP PACE WITH AUSTRALIA.

3. DIVERSIFICATION AND INDUSTRIAL POLICY. MANY DELS QUESTIONED NEW ZEALAND CLOSELY ABOUT THE CRITERIA BEING USED TO SELECT INDUSTRY FOR FUTURE DEVELOPMENT AND THE PROCEDURES FOR THE INDUSTRIAL REVIEWS WHICH ARE BEING UNDERTAKEN. CLARK SAID NZ INTENDED TO BASE INDUSTRIAL STRUCTURE ON THE ECONOMY'S STRONG POINTS WHICH, THOUGH NOT SHARPLY DEFINED, WOULD NORMALLY INVOLVE AREAS WHERE SKILL RATHER THAN MASS PRODUCTION WAS KEY FACTOR IN COMPETITIVENESS (E.G. ENGINEERING). HE GAVE HIS PERSONAL OPINION THAT THE PRESENT GOVERNMENT WAS MORE INCLINED TO BE TOUGH ON INEFFICIENT INDUSTRIES THAN THE LAST. CLARK STRESSED THE COMPREHENSIVE AND PRAGMATIC APPROACH BEING TAKEN TO EVALUATE THE COMPETITIVENESS OF EXISTING INDUSTRIES IN THE INDUSTRIAL REVIEW AND TO CHOOSE THE MOST SENSIBLE METHOD, BE IT LICENSING, TARIFF PROTECTION, OR ADJUSTMENT ASSISTANCE, TO OBTAIN A VIABLE INDUSTRIAL STRUCTURE FOR NEW ZEALAND. HE EXPRESSED HOPE THAT HIS DEPARTMENT WOULD SOON RECEIVE LIMITED OFFICIAL USE

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FUNDS TO ASSIST THE RATIONALIZATION OR PHASING OUT OF NON-COMPETITIVE INDUSTRIAL SECTORS. CLARK EXPRESSED SKEPTICISM, HOWEVER, THAT LICENSING WOULD BE ABANDONED OR THAT VIABLE INDUSTRIES COULD ALWAYS BE CHOSEN AT AN EARLY STAGE IN THEIR DEVELOPMENT. HE CITED AS EXAMPLES THE CROCKERY AND ELECTRIC APPLIANCES INDUSTRIES WHICH HE WOULD HAVE GIVEN UP ON A NUMBER OF YEARS AGO, BUT WHICH NOW EXPORTED LARGE SHARES OF THEIR PRODUCTION.

SOME DELS EXPRESSED CONCERN ABOUT SAFEGUARDS FOR FOREIGN EXPORTERS DURING THE COURSE OF THE INDUSTRIAL REVIEW, BUT CLARK DID NOT THINK THIS WAS A PROBLEM.

4. TARIFFS: EC COMMISSION AND SWITZERLAND REMARKED ON THE HIGH LEVEL OF NEW ZEALAND TARIFFS AND THE LOW PROPORTION OF GATT BINDINGS. SEVERAL DELS EXPRESSED THEIR DESIRE FOR MORE INFORMATION ON AVERAGE AND EFFEC-

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TIVE NEW ZEALAND TARIFF RATES, ESPECIALLY ON ITEMS PRODUCED DOMESTICALLY. NZ DEL WAS NOT PARTICULARLY FORTHCOMING ON THIS POINT, SAYING THAT TARIFFS ON AGRICULTURAL PRODUCTS AND VARIOUS "CONCESSIONAL RATES" NEEDED TO BE TAKEN INTO ACCOUNT AND THAT IN ANY CASE THE EXISTENCE OF LICENSING MADE IT DIFFICULT TO DRAW CONCLUSIONS FROM INFORMATION ON TARIFF RATES ALONE.

IN RESPONSE TO QUESTIONS ON THE STATUS OF THE TARIFF REVIEW NZ DEL NOTED THAT THIS HAD PROCEEDED MORE SLOWLY THAN ANTICIPATED (WITH ONLY FOUR PERCENT OF TOTAL TRADE VALUE COVERED THUS FAR), BUT INDICATED WAYS WERE BEING CONSIDERED TO SPEED UP THE PROCESS. WITH RESPECT TO THE LOW PROPORTION OF GATT BINDINGS, CLARK STATED NEW ZEALAND'S UNWILLINGNESS TO GIVE MORE BENEFITS TO GATT MEMBERS IN ITS TARIFF SCHEDULE FOR INDUSTRIAL PRODUCTS THAN IT GOT FOR ITS AGRICULTURAL PRODUCTS IN THEIRS.

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5. LICENSING AND TRADE PLEDGE: NUMBER OF DELS ASKED SEARCHING QUESTIONS ABOUT RATIONALE AND CRITERIA USED IN NEW ZEALAND IMPORT LICENSING SYSTEM, AND FRENCH COMPLAINED ABOUT DIFFICULTY ENCOUNTERED BY NEW IMPORTERS IN GETTING LICENSES. NZ DEL EXPRESSED VIEW THAT MECHANISMS FOR LICENSE ALLOCATIONS PLUS COMPREHENSIVE PRICE CONTROL SYSTEM EFFECTIVELY PREVENTED ABUSE BY IMPORTERS AND UNFAIRNESS AMONG FOREIGN SUPPLIERS. HE TOLD GROUP THAT LONG HISTORY OF IMPORT CONTROLS MADE IT VERY DIFFICULT TO MODIFY LICENSING SYSTEM IN FAVOR OF TARIFFS WITHOUT MAKING COMPREHENSIVE ASSESSMENT OF POSITION OF PARTICULAR INDUSTRIES, AS WAS BEING DONE IN THE INDUSTRY REVIEW. CLARK GAVE HIS PERSONAL VIEW THAT THE FEAR OF WHAT WOULD HAPPEN WITHOUT LICENSING WAS GRADUALLY BEING OVERCOME IN NZ INDUSTRIAL CIRCLES. IN RESPONSE TO A QUESTION ON THE RELEVANCE OF THE TRADE PLEDGE, CLARK SAID THAT GNZ DID NOT INTEND TO IMPOSE ANY NEW IMPORT RESTRICTIONS AND THAT NEW ZEALAND WOULD CONSULT IN THE OECD ABOUT ANY ACTIONS TAKEN. HE STATED, HOWEVER, THAT NZ FELT THE TRADE PLEDGE WAS RELATIVELY UNIMPORTANT IN THE PRESENT SITUATION COMPARED TO THE NEED FOR THE LARGER INDUSTRIAL COUNTRIES TO EXPAND THEIR ECONOMIES. CLARK ALSO SAID HE EXPECTED NOTHING ALARMING TO BE CONTAINED IN THE IMPORT LICENSING REGULATIONS FOR 1975-76 TO BE ISSUED IN A FEW WEEKS.

6. OTHER ITEMS: ON THE ANTI-DUMPING CODE, NZ DEL SAID GNZ RELUCTANT TO SUBSCRIBE UNTIL CODE MADE MORE EFFECTIVE FOR AGRICULTURAL PRODUCTS, AND THAT IN ANY CASE SMALL SIZE OF NEW ZEALAND MARKET MADE IT NECESSARY TO HAVE SPECIAL PROCEDURES SINCE EVEN ONE SHIPMENT COULD BE SERIOUSLY DISRUPTIVE. ON GOVERNMENT PROCUREMENT NEW ZEALAND DEL WAS UNWILLING TO CLARIFY STATEMENT IN SECRETARIAT NOTE INDICATING THAT PREFERENCE MIGHT BE GIVEN TO DOMESTIC SUPPLIERS FOR CERTAIN "ECONOMIC" REASONS AS LONG AS THE PRICE DIFFERENTIAL WAS NOT "UNREASONABLE". DISCUSSION OF AGRICULTURAL MARKETING

ARRANGEMENTS INDICATED NEW ZEALAND HOPED DURING PRESENT
PERIOD OF RELATIVELY WEAK PRICES TO MOVE TOWARD SYSTEM
OF LONGTERM INCOME STABILIZATION (ON UP AS WELL AS DOWN
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SIDES) FOR MEAT AND WOOL. CLARK SAID OTHERS NEED NOT
WORRY ABOUT POTENTIAL FOR EXPORT SUBSIDIES SINCE IT
WOULD BE EXTREMELY EXPENSIVE FOR NEW ZEALAND TO SUB-
SIDIZE 80 PERCENT OF ITS EXPORTS FOR VERY LONG. UK
COMPLAINED ABOUT LACK OF PUBLICITY ON SPECIAL DEALS
ARRANGED UNDER ARTICLE 3:7 OF THE NAFTA WHICH MADE IT
DIFFICULT FOR EXPORTERS TO KNOW WHERE THEY STOOD. NEW
ZEALAND DEL STATED FLATLY THAT PUBLICITY WAS TOTALLY
UP TO THE COMPANIES INVOLVED.

7. REPORT TO TRADE COMMITTEE: SECRETARIAT WILL DRAW
UP INTRODUCTORY NOTE ON KEY ASPECTS OF NEW ZEALAND
TRADE POLICY OF INTEREST TO DELS, PLUS A LONGER PAPER
GIVING MORE DETAIL MARCH 13-14 MEETING, AS REPORT TO
TRADE COMMITTEE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, POLICIES, MEETING DELEGATIONS, MEETING REPORTS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP07092
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750097-0709
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750332/aaaabcr.tel
Line Count: 248
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 WELLINGTON 664, 75 STATE 45865
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by ShawDG>; APPROVED <17 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TCWP MARCH 13-14: REVIEW OF NEW ZEALAND'S TRADE POLICY
TAGS: ETRD, NZ, US, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006